

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Westland Housing Commission</u>	County <u>Wayne</u>
Audit Date <u>6-30-04</u>	Opinion Date <u>11-10-04</u>	Date Accountant Report Submitted to State: <u>3-8-05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).		✓	
Single Audit Reports (ASLGR).		✓	

Certified Public Accountant (Firm Name)		
Street Address	ROBERT J. TAURIJAINEN Certified Public Accountant	ZIP
Accountant Signature <u>Robert J. Tauriainen</u>	25140 Lahser Road, Suite 141 Southfield, Michigan 48034-6310	

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Board of Commissioners
Westland Housing
Commission
Westland, Michigan

Department of Housing &
Urban Development
Office of Public Housing
Detroit, Michigan

Independent Auditor's Report

I have audited the accompanying basic financial statements of the Westland Housing Commission, of Westland, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Westland Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Westland Housing Commission, as of June 30, 2004, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America,

In accordance with Government Auditing Standards, I have also issued my report dated November 10, 2004 on my consideration of the Westland Housing Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, I did not audit the information and I express no opinion or any other form of assurance on it.

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Detroit, Michigan

Independent Auditor's Report

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule and Schedule of Expenditures of Federal awards and other schedules listed in the table of contents are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. These schedules are also the responsibility of the management of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountant

November 10, 2004

Westland Housing Commission
Management's Discussion And Analysis
As of June 30, 2004

As management of the Westland Housing Commission (WHC), we offer reviewers of the Commission's financial statements this narrative overview and analysis of the financial activities of the WHC for the fiscal year ended June 30, 2004. We have also incorporated into this report a synopsis of major changes in HUD regulations and policy, as impacted by new congressional legislation and appropriations for the prior fiscal year, and project how these changes will impact the housing commission in the next fiscal period in terms of our general financial activities and provision of affordable housing services.

A – Legislative Overview and Concerns

In the fall of 2003, the FY 2003 HUD Appropriations Act separated funding for administrative fees from Housing Assistance Payments (HAP). As a result of this legislation, other significant changes were made which adversely impact the housing commission's operations as follows:

- 1) Under HUD Notice 2003-23 housing authorities are now only eligible to retain earned administrative fees above their actual expense level as long as they do not end their fiscal year with more than 5% administrative fee reserves of their FY 2003 annual administrative fee earnings. Any amount over this level would be forfeited by the authority and returned to HUD.
- 2) The FY 2003 Appropriations Act requires that on-going administrative fees for local housing authorities will be reduced by that portion of the available administrative fee reserve balance as of January 31, 2003 that exceeds 105% of the administrative fees earned by the local housing authority in FY 2002.
- 3) In June of 2004, HUD revised the calculation for administrative fees that would initially reduce administrative fees by 13% – 15% across the board beginning in 2004. Due to significant complaints from housing authorities across the country, this cut back was lowered to a 6% - 7% reduction in fees for calendar year 2004.
- 4) HUD has indicated that future appropriations and a newly created central fund would be used to support leasing units up to a baseline amount established for each housing authority (WHC is 827 units) at an established per unit cost utilizing an August 2003 average cost per unit, plus a nominal inflation factor. Based on fiscal 2003 – 2004 and projections for 2004 – 2005, WHC management believes this new cost based HAP funding methodology will provide inadequate funding for the housing commission and its tenants, even if we do not exceed our baseline number of units.

B – Financial and Operational Highlights for Fiscal 2003 – 2004

Westland Housing Commission (WHC) ended fiscal year 2003 with 620 leased Section 8 housing units out of a total baseline of 627 units. This established WHC with a lease up rate of 98%, which is indicative of a high performing housing authority. HUD requires all housing authorities to maintain a lease up rate exceeding 95%. This lease up rate generated \$3,342,457 in annual HAP contributions. During fiscal 2002 – 2003 WHC received a new contract from HUD with an estimated Annual Contributions Contract (ACC) of \$1,150,000. WHC began leasing these units in fiscal 2003 – 2004 thus increasing its potential baseline by 200 units, which is a growth rate of 33%. At the end of fiscal 2003 – 2004 WHC had leased up a total of 147 new voucher holders. This represents a growth rate of 24% in a

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one-year period. For fiscal year 2003 – 2004 a total of \$3,987,116 of Housing Assistance Payments were generated, an increase over the previous year by \$644,659 in new Section 8 housing subsidies. Other financial highlights are as follows:

- 1) Maximum annual contributions available increased from \$3,677,677 in 2003 to \$4,243,981 in 2004
- 2) Ongoing administrative fees were \$382,077 for the fiscal year, up \$20,018 from the previous fiscal period. This increase was due to new units under lease.
- 3) Total preliminary fees earned were \$44,917, up \$40,834, over the previous year. These fees were earned from the Royal Oak Tower opt out project.
- 4) The HAP Contingency Reserve Account decreased from \$301,293 in 2003 to \$215,227 in 2004 due to recapture by HUD. This did not affect operations in 2003 – 2004, but could have an impact in future years. This account provides emergency HAP funds for Section 8 vouchers.
- 5) Interest earned on operating reserves decreased from \$4,462 in 2003 to \$2,749 in 2004. Although this was a significant decrease, this did not impact revenues significantly for the fiscal year since interest earnings constitutes a small percentage of total revenue.
- 6) The administrative operating reserve decreased from \$370,327 to \$347,890 of which \$15,794 is restricted and \$332,096 is unrestricted. This slight drop in operating reserve, due to new HUD regulations, should not adversely impact the housing commission for several years.

C – Using the Fiscal 2003 – 2004 Year End Settlement Statement

1) Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Westland Housing Commission's basic financial statements. The WHC's basic financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for proprietary fund types.

2) Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the WHC's finances, in a manner similar to a private-sector business. They consist of a Comparative Statement of Net Assets and a Comparative Statement of Revenues and Expenditures.

The Comparative Statement of Net Assets presents information on all the Commission's assets and liabilities, with the difference between the two reported as changes in total assets, total liabilities, and total net assets. Increases or decreases in these areas will serve as a useful indicator of whether the financial position of the WHC is improving or deteriorating. However, these changes must also be analyzed in the context of federal regulatory changes and potential growth opportunities.

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The Comparative Statement of Revenues and Expenditures presents' information showing "how" the Commission's total assets, liabilities and net assets changed during the most recent fiscal year. All changes are reported as soon as the underlying event gives rise to the change, regardless of the timing of unrelated cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned, but unused vacation leave).

The basic financial statements report on the WHC's activities. These activities are supported almost 100% by HUD subsidies and grants. The Commission's function is to provide decent, safe, and sanitary housing to low income and special needs populations.

3) Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found in the full audit report after the basic financial statements.

4) Supplemental Information

The schedule of expenditures of federal awards and financial data schedule is presented for purposes of additional analysis as required by HUD and the U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

D – The Westland Housing Commission as a Whole

The WHC's net asset position will increase or decrease each year depending upon several factors including HUD regulations and policy, the amount of administrative reserves and any major equipment acquisitions. The WHC does not own land or buildings. It leases space in a city building. The primary equipment owned is one inspection vehicle, shared by the entire department, one computer fileserver and six workstations, and office furniture for five employees. The WHC shares it's executive director with the Department of Community Development, and therefore does not have it's own director. This results in tremendous cost savings. The Commission's primary revenue sources are Section 8 Housing Voucher subsidies, hard to house fees, preliminary lease up fees, and Family Self Sufficiency grants all coming from the Department of Housing and Urban Development. Funds are received monthly from HUD based upon an annual budget and monthly payment schedule approved prior to the beginning of the fiscal year. Currently, multiple, short term Annual Contribution Contracts fund each annual budget. Shortfalls, only due to new leasing activities, can be corrected only after submitting a revised budget to HUD during the course of the year or at year-end. However, each housing commission should have an adequate ACC program reserve account to fund shortfalls in Housing Assistance Payments and an administrative operating reserve to fund shortfalls in administrative expenses. In fiscal 2003, the Westland Housing Commission had ongoing administrative expenses of \$449,359 and operating

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revenues of \$378,997. In fiscal 2004, WHC had ongoing administrative expenses of \$485,201 and operating revenues of \$436,143.

Schedule A – Comparative Statement of Net Assets

	Year Ended 06/30/2003	Year Ended 06/30/2004
ASSETS		
CURRENT ASSETS		
CASH (UNRESTRICTED)	\$714,382	\$558,787
ACCOUNTS & NOTES RECEIVABLE	0	3,315
CURRENT INVESTMENTS	0	0
TOTAL CURRENT ASSETS	\$714,382	\$562,102
NONCURRENT ASSETS		
FURNITURE, EQUIPMENT, & MACHINERY – ADMINISTRATION	\$76,116	\$83,605
ACCUMULATED DEPRECIATION	(54,414)	(65,152)
TOTAL FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION	19,702	18,453
TOTAL NONCURRENT ASSETS	19,702	18,453
TOTAL ASSETS	\$734,084	\$580,555
LIABILITIES		
TOTAL CURRENT LIABILITIES	\$328,790	\$199,107
TOTAL NONCURRENT LIABILITIES	\$31,245	\$30,899
TOTAL LIABILITIES	\$360,035	\$230,006
NET ASSETS		
INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$19,702	\$18,453
UNRESTRICTED NET ASSETS	354,347	332,096
TOTAL NET ASSETS	\$374,049	\$350,549
TOTAL LIABILITIES & NET ASSETS	\$734,084	\$580,555

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Management's Discussion And Analysis
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Schedule B – Comparative Statement of Revenues and Expenditures

	Year Ended 06/30/2003	Year Ended 06/30/2004
REVENUE		
HUD PHA GRANTS	\$3,718,825	\$4,449,551
INVESTMENT INCOME	4,486	2,749
OTHER REVENUE	60	240
TOTAL REVENUE	\$3,723,371	\$4,452,540
EXPENSES		
ADMINISTRATIVE SALARIES	\$209,686	\$197,237
AUDITING FEES	2,420	2,420
COMPENSATED ABSENCES	0	(494)
EMPLOYEE BENEFIT CONTRIBUTIONS – ADMIN	113,751	120,685
OTHER OPERATING	83,854	135,937
TENANT SERVICES – FSS	31,514	24,161
TOTAL OPERATING EXPENSES	441,225	479,946
TENANT HOUSING ASSISTANCE PAYMENT	3,342,517	3,987,356
DEPRECIATION EXPENSE	12,721	8,738
TOTAL EXPENSES	\$3,796,463	\$4,476,040
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$(73,092)	\$(23,500)

E – Budgetary Highlights

For the year ended June 30, 2004, the standard HUD proposed housing budget which includes the following HUD forms: Estimate of Total Required Annual Contributions Contract (OMB No. 2502); Supporting Data for Annual Contributions Contract (HUD 52672); and, Requisition for Partial Payment of Annual Contributions Contract (HUD 52663) were submitted to and approved by HUD's Financial Management Center in Wisconsin. The housing department program budget was reviewed and approved by the Westland Housing Commission in May of 2003. The Annual Contributions Contract portion of the budget was prepared in accordance with accounting procedures prescribed by HUD. The WHC departmental budget was prepared in accordance with standards set by the City of Westland finance department.

Westland Housing Commission
Management's Discussion And Analysis
As of June 30, 2004

During fiscal 2003 – 2004, the WHC was in a growth and development phase during a time period when Congress and HUD were attempting to reduce expenditures in the Section 8 Program. The direct impact of these legislative efforts and HUD's restrictive policies, which cut the Commission's administrative fees and lowered previously allowed retained earnings in the administrative reserve account, created a situation whereby current assets decreased by \$155,595 going from \$714,382 in 2003 to \$558,787 in 2004. Also, operating expenses exceeded operating revenues for the second time in two years. This trend will reverse itself in fiscal 2004 – 2005 when 100% of the newly obtained vouchers are at 100% lease up.

F – Capital Assets and Debt Administration

- 1) As of June 30, 2004, the Commission's total assets (excluding accumulated depreciation in the amount of \$65,152) were \$645,707, all of which is in the Section 8 Housing Program, which consists of administering Housing Choice Voucher contracts. Of this amount, \$562,102 was defined as unrestricted cash and accounts receivable (\$3,315 of the total amount). A total of \$83,605 or \$18,453 (net of accumulated depreciation) was in equipment, computers, and furniture. One can say that the WHC is very liquid.
- 2) Short Term and Long Term Debt
The Westland Housing Commission does not have any short term or long-term debt.

G – Economic Factors Affecting the 2003 – 2004 Budget and Next Year's Budget Expenditure and Revenue Considerations

The following factors were considered in preparing the Housing Commission's budget for the fiscal year ending June 30, 2004.

- 1) The Commission was still in a growth and development phase for the 2003 – 2004 budget year completing the new opt out contract at Royal Oak Tower in Royal Oak Township. This contract increased the Westland Housing Commission's voucher allocation by 200 vouchers or 33% over a two-year period of time. The WHC would be interested in assisting HUD with other opt out contracts in the near future.
- 2) The Westland Housing Commission has absorbed the costs of incorporating the Wayne Housing Commission's 27-unit voucher program. This takeover did not impact the operational or cost structure situation of the WHC greatly during the (3) month period of absorption.
- 3) The City of Westland's financial crisis during fiscal 2002 – 2003 and 2003 – 2004 required that the WHC reimburse the City for municipal provided services and facilities that were able to be provided at no charge to the WHC for many years. In fact, it can be stated that if not for very generous subsidies provided by the city general fund and the Community Development Block Grant Program, the WHC would not be where it is today. The primary reimbursable expenses directly related to the provisions of Section 8 housing services include office rental, postage, payroll administration, and legal services.
- 4) HUD continues to make significant cuts in both the WHC's Housing Assistance Payments (HAP) appropriations and funding allocations and for administrative fees. HAP funding for vouchers was frozen to an amount equal to actual average HAP

Westland Housing Commission
Management's Discussion And Analysis
As of June 30, 2004

funding per unit for August of 2003 in the 2004 fiscal period. In addition, FMR's for one and two bedroom units were kept flat (nominal increases) and FMR's for three and four bedroom units were reduced significantly. Administrative fees were cut 6% in fiscal 2003 – 2004. The outlook for reductions to voucher funding, FMR's, and administrative fees look grim for fiscal 2004 – 2005. Congress has already recommended cutting administrative fees again by another 6% in the fall of 2004.

- 5) The Family Self Sufficiency program has been a successful and self sustaining program for the past decade. The WHC has a total of (38) participating families, it's HUD required minimum. The program has been funded during the past (10) years with HUD grants averaging roughly \$28,000 to \$32,000 annually for case management. In view of HUD's budget cuts this program can no longer be sustained without the annual FSS grant. Therefore, this program will be terminated if the WHC does not receive its 2004 Family Self Sufficiency grant, which is currently being evaluated by HUD.
- 6) Capital outlay requirements for maintaining computer systems, which along with experienced staff, are the driving engine behind the housing commission's vast operations. Some hardware and major software (e.g. file server, wiring, hub/router, networking software, antivirus program and internet access capability) were replaced or upgraded in 2002 – 2003. In 2003 – 2004 capital expenditures for computer hardware and software were minimal. In 2004 – 2005 the Housing Commission will be replacing its obsolete DOS based housing software with a newer Windows based software provided by a nationally known housing software provider, Emphasys Computer Systems. The upgrade and training will take approximately three months and will cost an estimated \$20,000.
- 7) The WHC has used its unrestricted operating reserve to fund shortfalls arising from the past two years of economic downturn. At the end of fiscal 2003 – 2004 this amount was a very healthy \$332,096. HUD would have recaptured amounts, in excess of this amount, since HUD acted unilaterally to reduce housing commission's operating reserves across the country. An accounting standard dictates that a healthy municipal operating reserve should be 5% – 10% of the entity's operating budget. WHC has an operating reserve of 67%.

H - Contacting the Westland Housing Commission with Respect to the Commission's Financial Management.

The Management Discussion and Analysis is designed to provide a general overview of the WHC's finances for the general public in an easy to read format. Questions concerning any of the information provided in this report or requests for additional financial information must be submitted in written form to James Gilbert, Executive Director, Westland Housing Commission, 32715 Dorsey Rd., Westland, MI 48186.

Westland Housing Commission
Statement Of Net Assets
June 30, 2004

Assets

Current assets:	
Cash and cash equivalents	558,787
Receivables, net	3,315
Total current assets	<u>562,102</u>
Noncurrent assets:	
Capital assets:	
Buildings and equipment	83,605
Less accumulated depreciation	(65,152)
Capital assets, net	<u>18,453</u>
Total assets	<u><u>580,555</u></u>

Liabilities

Current liabilities:	
Accounts payables	198,365
Compensated absences	742
Total current liabilities	<u>199,107</u>
Noncurrent liabilities:	
Compensated absences	6,676
FSS escrow and other	24,223
Total liabilities	<u>230,006</u>

Net Assets

Invested in capital assets, net of related debt	18,453
Unrestricted	332,096
Total net assets	<u>350,549</u>
Total liabilities and net assets	<u><u>580,555</u></u>

See Accompanying notes to financial statements

Westland Housing Commission
Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2004

Operating revenues:	
Investment income	2,749
Operating grants	4,449,551
Miscellaneous	240
Total operating revenues	<u>4,452,540</u>
Operating expenses:	
Administrative	455,212
Tenant services	24,161
General expenses	574
Depreciation	8,738
Housing assistance payments	3,987,356
Total operating expenses	<u>4,476,041</u>
Net income (loss) before contributions	(23,500)
Change in net assets	<u>(23,500)</u>
Total net assets - beginning	374,049
Total net assets - ending	<u><u>350,549</u></u>

See Accompanying notes to financial statements

Westland Housing Commission
Statement of Cash Flows
June 30, 2004

Cash flows from operating activities:

Other operating cash receipts	240	
Cash paid for HAP's	(3,987,356)	
Cash paid for operating expenditures	(195,350)	
Cash paid to employees for services	<u>(291,251)</u>	
Net cash used in operating activities		(4,473,716)

Cash flows from noncapital financing activities:

Operating grants received	4,321,971	
Sale (purchase) of fixed assets	(7,489)	
Net (increase) decrease in FSS escrow	<u>890</u>	
Net cash provided by noncapital financing activities		4,315,372

Cash flows from investing activities:

Interest received (paid)	<u>2,749</u>	
Net cash (used) provided in investing activities		<u>2,749</u>
Net increase (decrease) in Cash and cash equivalents		<u>(155,595)</u>
Beginning of period		<u>714,382</u>
End of period		<u>558,787</u>

See Accompanying notes to financial statements

Westland Housing Commission
Statement of Cash Flows
June 30, 2004

Cash flows from operating activities:	
Operating Income (loss)	(23,500)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	8,738
Interest received	(2,749)
Grants	(4,321,971)
Decrease (increase) in Accounts receivable:	
HUD subsidy and grants	(3,315)
Increase (decrease) in Accounts payable:	
Trade	(32,831)
HUD	(124,265)
Accrued liabilities:	
Wages and payroll taxes	26,671
Compensated absences	<u>(494)</u>
Total adjustments	<u>(4,450,216)</u>
Net cash provided by (used in) operating activities -	<u><u>(\$4,473,716)</u></u>

See Accompanying notes to financial statements

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The Westland Housing Commission ("The Authority") is a non-profit corporation which was organized under the laws of the State of Michigan to provide Low-Rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies.

Section 8 Housing - The objectives of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. HUD entered into a Annual Contributions Contract (ACC) with the Authority. The Authority enters into a housing assistance payments contract with private owners. The owners rent housing to eligible low-income families who typically pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated to meet housing costs for rent. The remaining portion of the rent for the unit is paid to the owner by the Authority in a housing assistance payment.

The Authority policy is to prepare its general purpose financial statements in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

A. Reporting Entity

All significant activities and organizations on which the Authority exercises oversight responsibility have been included in the Authority's financial statements, for the year ended June 30, 2004. This report includes all of the services provided by the Authority to residents within its boundaries. In evaluating the Authority's reporting entity, in accordance with GASB Statement No. 14, the Authority has included all organizations that make up the Authority's legal entity.

The following criteria regarding manifestation of oversight were considered by the Authority in its evaluation of the Authority organizations and activities:

Financial interdependency - The Authority is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of the government authority - The Authority is governed by a Board of Commissioners, appointed by the local government, and has governance responsibilities over all activities related to Low-Rent housing within that community.

Designation of the Executive Director - The Board of Commissioners have decision making responsibility and the power to designate a Executive Director who administers Authority policies.

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

Ability to significantly influence operations - The Board of Commissioners have the responsibility to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the Board of Commissioners and its designated Executive Director.

Component Units - Consistent with applicable guidance, the criteria used by the Authority to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. At June 30, 2004, the Authority had no component units which met that criteria.

B. Fund Type

The Authority uses enterprise fund accounting to account for its financial position and results of operations. The enterprise fund type was used because the Authority operations are financed and operated in a manner similar to private Business enterprises - where the intent of the Authority is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

C. Measurement Focus and Basis of Accounting

The Authority uses the economic resources measurement focus. Accordingly, all assets and liabilities are recorded on the balance sheet. The reported net assets is segregated into capital assets net of related debt, unrestricted net assets and restricted net assets. Each component of net assets may be used to meet current obligations. Restricted net assets are subject to constraints externally imposed and are reduced by related liabilities. Operating statements present increases (revenues) and decreases (expenses) in net assets. The full accrual basis of accounting is used. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. The Authority applies all applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for its enterprise activities.

New Pronouncements - The Authority adopted GASB Statement No. 34, Basic financial Statements - Management's Discussion and Analysis - for State and Local Government; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures: Omnibus. The principal impact of the adoption of such standards is (1) the presentation of a statement of net assets with the required classifications of net assets replacing the previously reported equity classifications and (2) the preparation of Management's Discussion and Analysis as required supplementary information.

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

D. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with the financial statements are determined by the Authority's measurement focus and are accounted for in the Authority's enterprise fund.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Accumulated depreciation is reported on the balance sheet. Depreciation is provided over the estimated useful lives using the straight-line method.

E. Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

F. Investments

Investments are reported at fair value. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases / (decreases) in gains made.

G. Receivables

All receivables are shown net of an allowance for uncollectible amounts.

H. Inventories and Other Items

Inventories consist of expendable supplies held for consumption. They are valued at cost (first-in, first-out), which is less than the current market value. An expenditure is recorded at the end of the fiscal year to reflect physical counts and supplies used (consumption method).

Certain payments to vendors reflect costs applicable to future periods. These items are recorded as prepaid items.

I. Rental Income

A percentage of tenant income, as determined by HUD is used to determine income from rents and may not represent fair market rent.

J. Income Taxes

No provision for income taxes is recorded in the accounts as the Authority is a

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

non-profit, tax exempt entity under the Internal Revenue Code. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

K. Deferred Revenue

HUD Grants, operating subsidy, HAP subsidy and tenants rents are recognized in the applicable program year.

L. Budgets

An operating budget is adopted each year by the Authority and depending on certain performance indicators, may or may not be approved by the Department of Housing and Urban Development.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Pensions

Plan Description. The Westland Housing Commission contributes to the Municipal Employees Retirement System of Michigan (MERS), a cost-sharing multiple-employer defined benefit pension plan administered by the MERS Retirement Board. MERS provides retirement benefits to plan members. The MERS Retirement Board has the authority to establish and amend benefit provisions. The Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan or by calling 1-517-703-9030.

Funding Policy. The Westland Housing Commission is required to contribute at an actuarially determined rate depending on the benefit plan adopted. The current PHA rate is 28.9% of annual covered payroll. The contribution requirements for the Westland Housing Commission are established and may be amended by the MERS Retirement Board. The Westland Housing Commission's contribution to MERS for the year ending June 30, 2004, June 30, 2003 and June 30, 2002 were \$55,469.40, \$46,930.84 and \$46,857.01 respectively and was equal to the required contributions for those years. At June 30, 2004 there were 5 plan members.

O. Vacation Pay:

The Authority provides leave benefits for its employees based on comparable practices by local public bodies. The personnel policy provides that, upon termination, employees will be paid all accumulated annual leave at their rate

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

of pay upon termination.

At June 30, 2004 the Authority is contingently liable to employees for accumulated unpaid vacation pay in the amount of \$7,417.97. This amount has been recorded in the financial statements. Amounts not expected to be paid within the next fiscal year are classified as long term liabilities.

(2) Cash and Investments:

Cash and investments are stated at cost, which approximates fair value, and at June 30, 2004 consisted of the following:

<u>Account</u>	<u>Sec 8 Vouch</u>
Cash - General Fund (Development and/or Operation)	<u>558,786.75</u>
Total Cash	<u>\$558,786.75</u>

All Authority cash and time deposits are unrestricted and entirely insured or collateralized. The PHA's cash and investments are categorized to give an indication of the level of risk assumed by the PHA at year-end.

Category 1 includes cash and investments that are insured or collateralized by the bank.

Category 2 includes uninsured cash and investments for which the cash and securities are held by the bank's trust department in the PHA's name.

Category 3 includes uninsured cash and investments for which the cash and securities are held by the bank.

All PHA cash and investments are considered category 1.

(3) Accounts Receivable:

Accounts receivable at June 30, 2004 consist of the following:

<u>Account</u>	<u>Sec 8 Vouch</u>
Account Receivable - HUD	<u>3,315.00</u>
Total Account Receivable	<u>\$3,315.00</u>

(4) Land, Structures and Equipment:

Development, Modernization and Land, Structures and Equipment balances at June 30, 2004 consisted of the following:

Westland Housing Commission
Notes To Basic Financial Statements
June 30, 2004

<u>Account</u>	<u>Sec 8 Vouch</u>
Furniture, Equipment & Machinery - Admin.	83,605.02
Accumulated Depreciation	<u>(65,151.63)</u>
Total Land, Structures and Equipment	<u>\$18,453.39</u>

The PHA capitalizes items costing at least \$750.00 with a life of more than one year.

Depreciation is computed using the straight line method as follows:

Computers	3 years
Office Equipment	7 years
Automobiles	5 years

A summary of changes in fixed assets follows:

Balance June 30, 2003	\$19,702.44
Purchases	7,488.88
Current year depreciation	<u>(8,737.93)</u>
Balance June 30, 2004	<u>\$18,453.39</u>

(5) Accounts Payable:

Accounts payable at June 30, 2004 consist of the following:

<u>Account</u>	<u>Sec 8 Vouch</u>
Accounts Payable - Vendors and Contractor	36,241.36
Accounts Payable - Payrolls, Deductions & Contributions	<u>162,124.05</u>
Total Accounts Payable	<u>\$198,365.41</u>

Westland Housing Commission
Financial Data Schedule
June 30, 2004

Account Description		Section 8 Housing Choice Voucher Program 14,871
Line		
	ASSETS:	
	CURRENT ASSETS:	
	Cash:	
111	Cash - unrestricted	558,787
112	Cash - restricted - modernization and development	-
113	Cash - other restricted	-
114	Cash - tenant security deposits	-
100	Total cash	558,787
	Accounts and notes receivables:	
121	Accounts receivable - PHA projects	-
122	Accounts receivable - HUD other projects	3,315
124	Accounts receivable - other government	-
125	Accounts receivable - miscellaneous	-
126	Accounts receivable- tenants - dwelling rents	-
126.1	Allowance for doubtful accounts - dwelling rents	-
126.2	Allowance for doubtful accounts - other	-
127	Notes and mortgages receivable- current	-
128	Fraud recovery	-
128.1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowances for doubtful accounts	3,315
	Current investments	
131	Investments - unrestricted	-
132	Investments - restricted	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143.1	Allowance for obsolete inventories	-
144	Interprogram - due from	-
146	Amounts to be provided	-
150	TOTAL CURRENT ASSETS	562,102
	NONCURRENT ASSETS:	
	Fixed assets:	
161	Land	-
162	Buildings	-
163	Furniture, equipment & machinery - dwellings	-
164	Furniture, equipment & machinery - administration	83,605
165	Leasehold improvements	-
166	Accumulated depreciation	(65,152)
160	Total fixed assets, net of accumulated depreciation	18,453
	Other non-current assets:	
171	Notes and mortgages receivable - non-current	-
172	Notes and mortgages receivable-non-current - past due	-
174	Other assets	-
175	Undistributed debits	-
176	Investment in joint ventures	-
180	TOTAL NONCURRENT ASSETS	18,453
190	TOTAL ASSETS	580,555
	LIABILITIES AND EQUITY:	
	Liabilities:	

Westland Housing Commission
Financial Data Schedule
June 30, 2004

		Section 8 Housing Choice Voucher Program 14.871
Account Description		
Current Liabilities:		
311	Bank overdraft	-
312	Accounts payable < 90 days	36,241
313	Accounts payable > 90 days past due	-
321	Accrued wage/payroll taxes payable	162,124
322	Accrued compensated absences	742
324	Accrued contingency liability	-
325	Accrued interest payable	-
331	Accounts Payable - HUD PHA Programs	-
332	Accounts Payable - PHA projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342	Deferred revenue	-
343	Current portion of L-T debt - capital projects	-
344	Current portion of L-T debt - operating borrowings	-
345	Other current liabilities	-
346	Accrued liabilities - other	-
347	Interprogram - due to	-
310	TOTAL CURRENT LIABILITIES	199,107
NONCURRENT LIABILITIES:		
351	Long-term debt, net of current - capital projects	-
352	Non-current liabilities-compensated absence	6,676
353	Non-current liabilities-FSS & other	24,223
350	TOTAL NONCURRENT LIABILITIES	30,899
300	TOTAL LIABILITIES	230,006
NET ASSETS:		
501	Investment in general fixed assets	
Contributed Capital:		
502	Project notes (HUD)	
503	Long-term debt - HUD guaranteed	
504	Invested in Net Assets Net of Related Debt	18,453
505	Other HUD contributions	
507	Other contributions	
508	Total Invested in Net Assets Net of Related Debt	18,453
Restricted Net Asset Balance:		
509	Restricted for operating activities	-
510	Restricted for capital activities	-
511	Total Restricted Net Assets	-
512	Total Unrestricted Net Assets	332,096
513	TOTAL EQUITY	350,549
600	TOTAL LIABILITIES AND EQUITY	580,555
REVENUE:		
703	Net tenant rental revenue	-
704	Tenant revenue - other	-
705	Total tenant revenue	-
706	HUD PHA grants	4,449,551
708	Other government grants	-
711	Investment income - unrestricted	2,749
712	Mortgage interest income	-
714	Fraud recovery	240
715	Other revenue	-
716	Gain or loss on sale of fixed assets	-
720	Investment income - restricted	-
700	TOTAL REVENUE	4,452,540

Westland Housing Commission
Financial Data Schedule
June 30, 2004

Account Description		Section 8 Housing Choice Voucher Program 14.871
EXPENSES:		
Administrative		
911	Administrative salaries	196,743
912	Auditing fees	2,420
913	Outside management fees	-
914	Compensated absences	-
915	Employee benefit contributions- administrative	120,685
916	Other operating- administrative	135,364
Tenant services		
921	Tenant services - salaries	-
922	Relocation costs	-
923	Employee benefit contributions- tenant services	-
924	Tenant services - other	24,161
Utilities		
931	Water	-
932	Electricity	-
933	Gas	-
934	Fuel	-
935	Labor	-
937	Employee benefit contributions- utilities	-
938	Other utilities expense	-
Ordinary maintenance & operation		
941	Ordinary maintenance and operations - labor	-
942	Ordinary maintenance and operations - materials & other	-
943	Ordinary maintenance and operations - contract costs	-
945	Employee benefit contributions- ordinary maintenance	-
Protective services		
951	Protective services - labor	-
952	Protective services- other contract costs	-
953	Protective services - other	-
955	Employee benefit contributions- protective services	-
General expenses		
961	Insurance premiums	-
962	Other general expenses	574
963	Payments in lieu of taxes	-
964	Bad debt - tenant rents	-
965	Bad debt- mortgages	-
966	Bad debt - other	-
967	Interest expense	-
968	Severance expense	-
969	TOTAL OPERATING EXPENSES	479,947
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	3,972,593
971	Extraordinary maintenance	-
972	Casualty losses - non capitalized	-
973	Housing assistance payments	3,987,356
974	Depreciation expense	8,738
975	Fraud losses	-
976	Capital outlays- governmental funds	-
977	Debt principal payment- governmental funds	-
978	Dwelling units rent expense	-
900	TOTAL EXPENSES	4,476,041

Westland Housing Commission
Financial Data Schedule
June 30, 2004

		Section 8 Housing Choice Voucher Program 14.871
Account Description		
OTHER FINANCING SOURCES (USES)		
1001	Operating transfers in	-
1002	Operating transfers out	-
1003	Operating transfers from/to primary government	
1004	Operating transfers from/to component unit	
1005	Proceeds from notes, loans and bonds	
1006	Proceeds from property sales	
1010	TOTAL OTHER FINANCING SOURCES (USES)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(23,500)
MEMO ACCOUNT INFORMATION:		
1101	Capital contributions	
1102	Debt principal payments - enterprise funds	
1103	Beginning Net Assets	374,049
1104	Prior period adjustments and Net Asset transfers	0
1105	Changes in compensated absence liability	
1106	Changes in contingent liability balance	
1107	Changes in unrecognized pension transition liability	
1108	Changes in special term/severance benefits liability	
1109	Changes in allowance for doubtful accounts - dwelling rents	
1110	Changes in allowance for doubtful accounts - other	
1112	Depreciation "add back"	-
1113	Maximum annual contributions commitment (per ACC)	4,243,981
1114	Prorata maximum annual contributions applicable to a period of less than twelve months	
1115	Contingency reserve, ACC program reserve	-
1116	Total annual contributions available	4,243,981
1120	Unit months available	9,924
1121	Number of unit months leased	8,131

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Commission
Westland, Michigan

Department of Housing &
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Office of Public Housing
Detroit, Michigan

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

I have audited the financial statements of the Westland Housing Commission as of and for the year ended June 30, 2004 and have issued my report thereon dated November 10, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance - As part of obtaining reasonable assurance about whether the Westland Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting - In planning and performing my audit, I considered the Westland Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Westland Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as finding number 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable conditions described is not a material weakness.

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Office of Public Housing
Detroit, Michigan

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing Standards

This report is intended solely for the information and use of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant
November 10, 2004

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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance - I have audited the compliance of the Westland Housing Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The Westland Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Westland Housing Commission's management. My responsibility is to express an opinion on the Westland Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Westland Housing Commission's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Westland Housing Commission's compliance with those requirements.

In my opinion, the Westland Housing Commission has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance - The management of the Westland Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Westland Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Detroit, Michigan

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operations that I consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant
November 10, 2004

Westland Housing Commission
Schedule of Expenditures of Federal Awards
June 30, 2004

<u>Federal Grantor and Program Title</u>	<u>FFA Amounts</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>	
<u>Lower Income Housing Assistance Program</u>	
<u>Section 8 Housing Choice Vouchers</u>	
CFDA No. - 14.871	
Pass-Through Grantor's Number - N/A	
Program Expenditures	<u>4,449,551</u>
<u>TOTAL DEPARTMENT OF HOUSING AND URBAN</u>	
<u>DEVELOPMENT EXPENDITURES</u>	<u>4,449,551</u>
<u>TOTAL FEDERAL FINANCIAL ASSISTANCE</u>	<u>\$4,449,551</u>

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost reimbursement Contracts of the Westland Housing Commission. The Westland Housing Commission receives Federal awards directly from Federal agencies.

Federal program expenditures, included in the accompanying schedule, are presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A133, Audits of States, Local Governments, and Non-Profit Organizations.

(2) Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

Summary of Auditor Results,
Schedule of Prior Audit Findings,
Schedule of Findings and Questioned Costs

Financial Statement

Type of auditor's report issued: unqualified
Internal control over financial reporting
Material weakness(es) identified? none reported
Reportable condition(s) identified that are not considered to be material weaknesses?
finding reported
Noncompliance material to financial statements noted? none reported

Federal Awards

Internal control over major programs:
Material weakness(es) identified? none reported
Reportable condition(s) identified that are not considered to be material weaknesses?
None reported
Type of auditor's report issued on compliance for major programs: unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? none reported
Major programs:
14.871 Section 8 Housing Choice Voucher
Dollar threshold used to distinguish between type A and type B program: \$300,000.00
Auditee qualified as low-risk auditee? no

Summary Schedule Of Prior Audit Findings

The audit report for the period ended June 30, 2003 contained no findings.

Findings and Questioned Costs

Financial Statement Findings

There are financial statement findings reported.

Findings Related to Federal Awards

There are no findings related to Federal Awards reported.

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Section</u> <u>8 Housing</u> <u>Voucher</u> <u>14.871</u>	<u>Finding No. 1</u> <u>No Cash Disbursement Reviews</u>	<u>\$12,148.00</u>

During the course of my audit, it was noted that the PHA is not reviewing disbursements for propriety. As a result, \$12,148.00 in legal fees was overpaid.

A sound system of internal control would require that documents, such as purchase orders, vendor's invoices, receiving and inspection reports, and contractor's estimates should be carefully examined to determine: (1) that the voucher is properly payable in accordance with the terms of the purchase; (2) that the goods have been received and conform to specifications or that the services billed have been rendered satisfactorily; (3) that discounts or other adjustments of the amounts billed are in order; (4) that the computations and accounts to be charged are correct; and (5) that the funds for payments are available... However, in the smallest organization there are certain internal controls that can be provided which will assure the Board of Commissioners that disbursements will be subjected to reasonably careful examination by two or more employees or representatives of the Local Authority. Countersignatures are effective as an internal control procedure only when each signature is affixed after examination of voucher checks and supporting documents. "

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Costs</u>
<u>Section</u> <u>8 Housing</u> <u>Voucher</u> <u>14.871</u>	<u>Finding No. 1</u> <u>No Cash Disbursement Reviews</u>	<u>\$12,148.00</u>

Recommendation

I recommend that procedures be developed and implemented that ensure that the PHA will not incur costs or expenses unless reviewed by the Executive Director and the Board of Commissioner.

PHA Reply and Corrective Action Plan

We have completed a special review with respect to the overpayment of legal fees for the Section 8 program and other eligible affordable housing activities. I have determined the following occurred. All legal fees are paid directly by the City of Westland to the City Attorney. At no time did the Westland Housing Commission pay any legal fees directly to the City Attorney. All legal fees for the Section 8 Program and other affordable housing activities are paid to the City of Westland on a reimbursement basis. The first quarter legal fees were billed by the city and the City Attorney prepared the supporting documentation. However, the city attorney advised the city finance department they would no longer prepare a separate billing for Housing and Community Development. The city finance department determined it must review all legal fees. Therefore the city finance department began providing all supporting documentation for legal fee billings after the first quarter of fiscal 2003-2004. It was further decided that future reimbursements were to be made semi annually July – December and January – June. The supporting

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Section</u> <u>8 Housing</u> <u>Voucher</u> <u>14.871</u>	<u>Finding No. 1</u> <u>No Cash Disbursement Reviews</u>	<u>\$12,148.00</u>

documentation was compiled from the original attorney bill and reprinted in a revised spreadsheet format. Unfortunately, each bill reproduced previously submitted supporting data rather than supporting data for each new billing period only. The first bill had original information. The second bill included the second quarter plus a recap of 95% of the first quarter. The third bill included the second half of the year plus the first two quarters of the fiscal year.

The total actual legal reimbursement for the year is \$16,675. The amount over billed was \$12,148.

A credit, in the amount for the \$12,148 will be made, the exact amount of the overpayment. This is included in the first quarterly billing for wages and benefits for the housing commission staff (July 1, 2004 – September 30, 2004).

Our fee accountant will be advised of the adjustments made in the current fiscal year to accommodate the credit for overpayment of legal fees in the prior fiscal period. I have also advised our fee accountant to show that the reimbursement of legal fees was made from the administrative operating reserve and not from administrative fees earned in the 2003-2004 fiscal period.

Thank you for locating the discrepancy listed above. Technically this was not an overpayment to a vendor. Rather, it was an excessive reimbursement to

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Section</u> <u>8 Housing</u> <u>Voucher</u> <u>14.871</u>	<u>Finding No. 1</u> <u>No Cash Disbursement Reviews</u>	<u>\$12,148.00</u>

the City of Westland for legal services provided to the Housing Commission paid initially by the City's general fund. Unfortunately, each billing duplicated supporting documentation from the prior billing period.

In the future, bills for professional services will undergo a double review; by the supervisor and by the director. Also, the City's finance department was notified of this duplication and it will be corrected for future invoices. This overpayment has already been credited back to the Housing Commission's operating reserve.

Once again, thank you for your diligence in detecting this discrepancy.